

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BROWN SPRINKLER CORPORATION)	
COMPLAINANT)	
)	
VS.)	CASE NO. 10084
)	
KENTUCKY-AMERICAN WATER COMPANY)	
DEFENDANT)	

O R D E R

On November 13, 1987, Brown Sprinkler Corporation ("Brown") filed a Complaint against Kentucky-American Water Company ("Kentucky-American"). The complaint alleged that Kentucky-American improperly charged Brown excessive connection costs for certain construction projects.

Kentucky-American filed its Answer on December 2, 1987.

On June 11, 1987, the Commission in Case No. 9815, "The Effects of the Federal Tax Reform Act of 1986," directed Kentucky-American to use the "refund" or "gross-up" methodology for computing contribution in aid of construction and customer advances. Kentucky-American followed that methodology for the projects in question by Brown.

Subsequently, on August 12, 1987, the Commission initiated Administrative Case No. 313, "The Effects of the Tax Reform Act of 1986 on Contributions in Aid of Construction and Customer Advances." Because this complaint involved issues being reviewed

in Administrative Case No. 313, the decision has been pending the outcome of Administrative Case No. 313.

On July 8, 1988, the Commission issued its Order in Administrative Case No. 313.

The Commission found in that case that Kentucky-American as well as the other regulated utilities were "operating under the method prescribed by the Commission in previous tax proceeding orders." The Commission also found that proper notice of the "gross-up" method had been given, that the financial impact of that method on utilities generally was not of such significance to warrant a refund, and that such a refund could constitute retroactive rate-making.

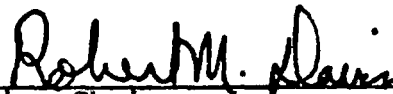
Because the Order of July 8, 1988 in Administrative Case No. 313 finds no merit in Brown's arguments, the complaint must be dismissed.

IT IS ORDERED that the complaint is dismissed.

Done at Frankfort, Kentucky, this 3rd day of August, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director